12 USC 1715z-1a note.

"(g)(1) When underwriting a rehabilitation loan under this section in connection with eligible multifamily housing, the Secretary may assume that any rental assistance provided for purposes of servicing the additional debt will be extended for the term of the rehabilitation loan. The Secretary shall exercise prudent underwriting practices in insuring rehabilitation loans under this section. For purposes of this subsection, the term "eligible multifamily housing" means any housing financed by a loan or mortgage that is—

"(A) insured or held by the Secretary under section 221(d)(3) of the National Housing Act and assisted under section 101 of the Housing and Urban Development Act of 1965 or section 8 of the United States Housing Act of 1937;

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"(B) insured or held by the Secretary and bears interest at a rate determined under the proviso of section 221(d)(5) of the National Housing Act; or

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"(C) insured, assisted or held by the Secretary under section 236 of the National Housing Act.

"(2) A mortgagee approved by the Secretary may not withhold consent to a rehabilitation loan insured in connection with eligible multifamily housing on which that mortgagee holds a mortgage.[19]

(c) CAPITAL ASSESSMENT STUDY.—(1) The Secretary of Housing and Urban Development shall conduct a study to determine the physical renovation needs of the Nation's federally-assisted multifamily housing inventory that is distressed and to estimate the cost of correcting deficiencies and subsequently

maintaining that inventory in adequate physical condition. The Secretary shall establish criteria to determine what housing qualifies as distressed and such criteria shall include factors such as serious deficiencies in the original design, deferred maintenance, physical deterioration or obsolescence of major systems and other serious deficiencies in the physical plant of a project The study shall examine and assess the adequacy of existing tools that are available to the Secretary for modernization efforts including—

(1) mortgage insurance for rehabilitation loans under section 241 of the National Housing Act;

(2) operating assistance and capital improvement loans under section 201 of the Housing and Community Development Amendments of 1978 (the "Flexible Subsidy Program"); and

(3) rental assistance under section 8.

The study shall also examine and assess the effectiveness of sanctions that are now available to the Secretary. Not later than one year after the date of enactment of this Act, the Secretary shall submit to the Congress a detailed report setting forth the findings of the Secretary as a result of the study. The Secretary shall submit to the Congress an interim report containing the information required under paragraph (2) not later than April 1, 1990.

(2) The examination and assessment of the Flexible Subsidy Program required by paragraph (1) shall include —

(4) an accounting of all applications that have been approved or rejected since 1980;

(5) an analysis of all applications that have not been acted upon since 1980 including the length of time such applications have been pending, the amount of assistance requested, and the number of units affected;

(6) an estimate of the funding that will be made available to the Flexible Subsidy Fund under section 2010") of the Housing